



Rockford, Michigan

Comprehensive Annual Financial Report

Year Ended: June 30, 2008

ROCKFORD PUBLIC SCHOOLS
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For the year ended June 30, 2008

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FINANCIAL SECTION

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

November 11, 2008

The Board of Education
Rockford Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Rockford Public Schools (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of Rockford Public Schools as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2008 on our consideration of Rockford Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Rockford Public Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford, Aldrin, Nichols & Carter, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

As management of the Rockford Public Schools ("the District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
 - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Basic Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Supplemental Information follows and includes combining and individual fund statements.

District-Wide Statements

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets, and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, one should consider additional non-financial factors such as changes in the District's property tax-base, economic factors that might influence state aid revenue, and the condition of school buildings and other facilities.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	<u>2008</u>	<u>2007</u>
Assets		
Current assets	\$ 62,901,378	\$ 14,724,585
Capital assets, net book value	<u>63,626,097</u>	<u>66,126,809</u>
Total Assets	<u>126,527,475</u>	<u>80,851,394</u>
Liabilities		
Current liabilities	20,604,279	17,542,003
Long-term liabilities	<u>128,810,086</u>	<u>89,994,840</u>
Total Liabilities	<u>149,414,365</u>	<u>107,536,843</u>
Net Assets		
Invested in capital assets, net of related debt	(26,202,124)	(30,831,668)
Restricted	1,259,761	950,488
Unrestricted	<u>2,055,473</u>	<u>3,195,731</u>
Total Net Assets	<u>\$ (22,886,890)</u>	<u>\$ (26,685,449)</u>

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

The Statement of Activities presents changes in net assets from operating results:

	<u>2008</u>	<u>2007</u>
Program Revenues		
Charges for services	\$ 3,955,720	\$ 3,924,566
Operating grants	8,296,840	7,424,732
General Revenues		
Property taxes	20,217,621	19,363,420
State school aid, unrestricted	52,766,494	51,348,536
Interest and investment earnings	444,277	431,129
Other	689,139	680,417
Total Revenues	<u>86,370,091</u>	<u>83,172,800</u>
Expenses		
Instruction	43,907,236	42,980,119
Supporting services	26,712,650	25,757,497
Community services	2,436,582	2,218,857
Food service	2,274,322	2,036,299
Athletics	1,418,413	1,334,532
Interest on long-term debt	5,698,168	5,728,904
Depreciation – unallocated	124,161	123,331
Total Expenses	<u>82,571,532</u>	<u>80,179,539</u>
Increase in net assets	3,798,559	2,993,261
Net Assets - Beginning of Year	<u>(26,685,449)</u>	<u>(29,678,710)</u>
Net Assets - End of Year	<u>\$(22,886,890)</u>	<u>\$(26,685,449)</u>

Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Growth during the year in taxes and students contributed to a revenue increase. Fiscal 2008 was the third year for the assessment of the Parks and Recreation Millage and the increase in the county wide special education enhancement millage which together generated \$1.5 million.

The District's total revenues were \$86.37 million. Property taxes and unrestricted state aid accounted for most of the District's revenues, contributing 85% of the total. The remainder came from state and federal aid for specific programs, fees charged for services, interest earnings and other local sources.

The total cost of all programs was \$82.57 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (62 percent). The District's operation and maintenance services accounted for 8.1 percent of total costs.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Total revenues exceeded expenses by \$3,798,559 on the Statement of Activities, however, Unrestricted Net Assets decreased to \$2,055,473 at June 30, 2008.

The strength of the District's finances can be credited to careful monitoring of economic changes and appropriate cost-cutting measures to maintain programs during these challenging economic times. Despite the ongoing uncertainty of funding revenue from the State of Michigan, the District has endeavored to maintain a positive fund balance.

- The District has, for the seventh year, conducted a thorough budget analysis and has broken the budget down into specific components and their related expenses. This has allowed the District to prioritize expenses, and also to identify where cuts could occur if necessary.
- Regular updates were provided to the Board of Education during the school year. This information is also presented to the community via the District's website, staff meetings and presentations.
- The Rockford community approved a \$45 million bond issue in May 2008. These monies will be used for expansion and upgrades at six of the eight District's elementary buildings as well as the secondary buildings, upgrades to technology District-wide and also for the creation and expansion of athletic and recreational fields.
- A Spanish Immersion Program for grades K-5 has been implemented at the elementary level. The District was awarded a federal grant to support the language program. The Foreign Language Assistance Program (FLAP) Grant will provide monies to the District's language programs, including Chinese over a three year timeframe.
- The Board of Education implemented an energy conservation capital improvement project funded by the issuance of \$1.2 million Energy Conservation Improvement Bonds. The monies are for the purpose of upgrading equipment/systems for energy savings. This initiative will potentially save the district \$2.9 million in operational costs over the life of the bonds.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. As a general rule, fund balances from one fund are prohibited from being expended on expenditures of another fund.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship and Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Rockford Public School's funds are described as follows:

Major Funds

- The General Fund is our primary operating fund. The General Fund had total revenues of \$70,499,425, other financing sources of \$430,844, total expenditures of \$71,352,674 and other financing uses of \$737,166. The General Fund ended the fiscal year with an undesignated fund balance of \$2,784,531, down from \$3,944,102 at June 30, 2007, due primarily to increases in special education expenses and operating costs, which includes the increase in transportation fuel costs.
- The District issued \$45,250,000 in general obligation building and site bonds at the end of the 2007-08 fiscal year which are accounted for in the 2008 Construction Capital Projects Fund. Current year investments earnings totaled \$15,480, bond premium was \$980,651, construction/equipment expenditures totaled \$247,461, bond issuance costs totaled \$411,292 and underwriters discount totaled \$170,140, leaving a fund balance of \$45,417,238 at June 30, 2008, with which to complete various improvement projects.

Nonmajor Funds

- The Food Service Fund, which administers the hot lunch program of the District, had total revenues of \$2,074,116 and total expenditures of \$2,184,968 in 2007-08, decreasing its fund balance to \$107,969 at June 30, 2008.
- The Athletics Fund, which administers the athletic program of the District, had total revenues of \$449,730, expenditures of \$1,186,896 and transfers from the General Fund of \$737,166 during the 2007-08 fiscal year. Fund balance at year end remained at zero.
- The District operates eight Debt Service Funds to finance the repayment of general obligation bonds. Total revenues were \$13,418,109, and total expenditures were \$12,857,852. The ending fund balances totaled \$2,331,726.
- The Scholarship Fund is operated as a Private Purpose Trust Fund of the District. The assets of this fund are being held for the benefit of District students. Balances on hand at June 30, 2008 totaled \$433,386.
- The Student Activities Fund is operated as an Agency Fund of the District. The assets of this fund are being held for the benefit of District students. Balances on hand at June 30, 2008 totaled \$644,990.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

General Fund Budgetary Highlights

During the course of the year, the District continuously reviews the annual operating budget after the June adoption. Changes in the budget are due to the following:

- Amendments made in January account for the final student enrollment which determined how much foundation grant state school aid monies were received during the fiscal year. Amendments also account for the changes in program costs that were made during the year.
- Final amendments are made in June for increases in appropriations to prevent budget overruns and reductions in expenses put into place by the administration.
- The final budget for the General Fund anticipated the undesignated fund balance to be 4.90% of General Fund expenditures - the actual results equaled 3.90%.
- The actual decrease in fund balance was due primarily to increased special education costs, increase in fuel costs for transportation and other operational costs.

Capital Asset and Debt Administration

Capital Assets

By the end of 2008, the District had a \$108,760,898 investment in a broad range of capital assets, including land, school buildings, athletic facilities, vehicles, computer equipment and software, and administrative offices. (More detailed information about capital assets can be found in the Notes to Basic Financial Statements.)

At June 30, 2008, the District's investment in capital assets (net of accumulated depreciation), was \$63,626,097. Capital asset purchases totaled \$559,255 for the fiscal year with accumulated depreciation increasing \$3,059,967, leaving a net reduction in the book value of capital assets of \$2,500,712.

The District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings and additions, vehicles and furniture and equipment, is detailed as follows:

Land	\$ 1,962,840
Land improvements	1,203,766
Buildings and additions	54,458,829
Vehicles	1,690,976
Furniture and equipment	<u>4,309,686</u>
Net Capital Assets	<u><u>\$ 63,626,097</u></u>

The District's "investment in capital assets, net of related debt" is a negative \$26,202,124 at June 30, 2008, resulting from the fact that significant amounts of new technology-related equipment which fall under the \$5,000 capitalization threshold of the District were purchased with the proceeds of recent bond issues.

ROCKFORD PUBLIC SCHOOLS
Management's Discussion and Analysis
June 30, 2008

Long-Term Debt

At year end, the District had \$135.4 million in general obligation bonds and other long-term debt outstanding – a net increase of \$37.7 million from June 30, 2007.

The District bond rating for general obligation debt remains at “A3”. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a District’s boundaries.

The District’s other obligations include borrowings from installment purchase agreements, early retirement incentive and accumulated sick leave. We present more detailed information about our long-term liabilities in the Notes to Basic Financial Statements.

Factors Bearing on the District’s Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Voters with Rockford Public Schools approved a Park and Recreation Millage effective in June of 2004. This will result in annual revenue increase of approximately \$1,500,000 for the District in fiscal year 2008-09.
- Fiscal year 2008-09 foundation allowance has increased by \$112 for a total of \$7,316 per student.
- For every dollar paid to employees throughout the year, the District pays a percentage into the Michigan Public Schools Employee Retirement System (MPERS). The rising cost of this expense, controlled by the State, is a significant cause for concern into the future. In 2007-08, the District paid 16.72% of every dollar of payroll into the MPERS. This is projected to increase to nearly 19% in 2008-09.
- Beginning with the 2007-08 school year, the District was awarded a Foreign Language Assistance Program (FLAP) Grant in the amount of \$558,000 over a three-year timeframe. These grant monies will provide support to establish a Spanish Immersion program that has begun for grades K-1 and will expand to K-5. The grant monies will also provide support to Chinese language classes at the high school level beginning in 2007-08 and will expand to three full years of elective language offerings for high school students.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Rockford Public Schools, 350 N. Main Street, Rockford, 49341.

BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash	\$ 1,150
Cash equivalents, deposits and investments (Note B)	51,061,167
Taxes receivable (Note C)	122,861
Accounts receivable	217,002
Due from other governmental units (Note C)	11,114,835
Inventory (Note A)	155,818
Prepaid expenses	228,545
Total Current Assets	<u>62,901,378</u>
Noncurrent Assets	
Capital assets (Note E)	108,760,898
Less accumulated depreciation	(45,134,801)
Total Noncurrent Assets	<u>63,626,097</u>
Total Assets	<u>126,527,475</u>
Liabilities	
Current Liabilities	
Accounts payable	3,077,828
State aid loan payable (Note F)	4,150,000
Due to other governmental units	1,561,971
Payroll withholdings payable	14,994
Accrued interest payable	1,288,560
Salaries payable	3,135,149
Deferred revenue	44,391
Current portion of long term obligations	7,331,386
Total Current Liabilities	<u>20,604,279</u>
Noncurrent Liabilities (Notes A, G)	
General obligation bonds payable	132,175,185
Durant non-plaintiff bonds payable	531,430
Energy conservation improvement bonds payable	1,080,000
Installment purchase agreements payable	695,649
Early retirement incentive	625,000
Accumulated sick leave	298,264
Unamortized bond premium	735,944
Current portion of long term obligations	(7,331,386)
Total Noncurrent Liabilities	<u>128,810,086</u>
Total Liabilities	<u>149,414,365</u>
Net Assets	
Invested in capital assets, net of related debt	(26,202,124)
Restricted for:	
Debt service	1,259,761
Unrestricted	2,055,473
Total Net Assets	<u><u>\$ (22,886,890)</u></u>

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Statement of Activities
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
Governmental Activities				
Instruction	\$ 43,907,236	\$ 95,127	\$ 6,387,759	\$(37,424,350)
Supporting services	26,712,650	152,781	1,390,146	(25,169,723)
Community services	2,436,582	1,710,485	-	(726,097)
Food service	2,274,322	1,548,122	518,935	(207,265)
Athletics	1,418,413	449,205	-	(969,208)
Interest on long-term debt	5,698,168	-	-	(5,698,168)
Depreciation - unallocated	124,161	-	-	(124,161)
Total Governmental Activities	\$ 82,571,532	\$ 3,955,720	\$ 8,296,840	(70,318,972)
Taxes:				
Property taxes, levied for general operations				7,095,318
Property taxes, levied for debt service				13,122,303
State school aid, unrestricted				52,766,494
Interest and investment earnings				444,277
Other				689,139
Total General Revenues				74,117,531
Change in Net Assets				3,798,559
Net Assets - Beginning of Year				(26,685,449)
Net Assets - End of Year				\$(22,886,890)

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Balance Sheet
Governmental Funds
June 30, 2008

	General	2008 Construction	Nonmajor	Total
Assets				
Cash	\$ 1,150	\$ -	\$ -	\$ 1,150
Cash equivalents, deposits and investments (Note B)	2,653,703	45,750,026	2,657,438	51,061,167
Receivables:				
Taxes (Note C)	86,237	-	36,624	122,861
Accounts	111,378	-	5,624	117,002
Due from other funds (Note D)	597,031	-	44,289	641,320
Due from other governmental units (Note C)	11,114,835	-	-	11,114,835
Inventory (Note A)	64,747	-	91,071	155,818
Prepaid expenditures	228,545	-	-	228,545
Total Assets	<u>\$14,857,626</u>	<u>\$45,750,026</u>	<u>\$2,835,046</u>	<u>\$63,442,698</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 2,883,344	\$ 182,788	\$ 11,696	\$ 3,077,828
State aid anticipation loan payable (Note F)	4,150,000	-	-	4,150,000
Due to other funds (Note D)	44,289	150,000	347,031	541,320
Due to other units of government	1,561,971	-	-	1,561,971
Payroll withholdings payable	14,994	-	-	14,994
Accrued interest payable	152,720	-	-	152,720
Salaries payable	3,135,149	-	-	3,135,149
Deferred revenue	130,628	-	36,624	167,252
Total Liabilities	<u>12,073,095</u>	<u>332,788</u>	<u>395,351</u>	<u>12,801,234</u>
Fund Balances				
Reserved for:				
Debt service	-	-	2,331,726	2,331,726
Capital outlay	-	45,417,238	-	45,417,238
Unreserved:				
Undesignated, reported in:				
General fund	2,784,531	-	-	2,784,531
Special revenue funds	-	-	107,969	107,969
Total Fund Balances	<u>2,784,531</u>	<u>45,417,238</u>	<u>2,439,695</u>	<u>50,641,464</u>
Total Liabilities and Fund Balances	<u>\$14,857,626</u>	<u>\$45,750,026</u>	<u>\$2,835,046</u>	<u>\$63,442,698</u>

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2008

Total governmental fund balances			\$ 50,641,464
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$108,760,898 and accumulated depreciation is \$45,134,801.			
			63,626,097
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.			
			(735,944)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:			
General obligation bonds		\$(132,175,185)	
Durant non-plaintiff bonds		(531,430)	
Energy conservation bonds		(1,080,000)	
Installment purchase agreements		(695,649)	
Early retirement incentive		(625,000)	
Accumulated sick leave		(298,264)	
			(135,405,528)
Accrued interest is not included as a liability in governmental funds.			
			(1,135,840)
Deferred revenue recognized as revenue in the full accrual statements:			
Property taxes			122,861
Total net assets - governmental activities			<u><u>\$(22,886,890)</u></u>

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	2008 Construction	Nonmajor	Total
Revenues				
Local sources	\$ 9,955,026	\$ 15,480	\$15,423,020	\$25,393,526
State sources	54,555,910	-	85,290	54,641,200
Federal sources	1,857,993	-	433,645	2,291,638
Interdistrict sources	4,130,496	-	-	4,130,496
Total Revenues	70,499,425	15,480	15,941,955	86,456,860
Expenditures				
Current:				
Instruction	42,086,644	-	-	42,086,644
Supporting services	26,447,601	-	-	26,447,601
Community services	2,432,587	-	-	2,432,587
Food service	-	-	2,184,968	2,184,968
Athletics	-	-	1,186,896	1,186,896
Capital outlay	-	247,461	-	247,461
Debt service:				
Principal repayment	306,933	-	7,458,044	7,764,977
Interest and fiscal charges	78,909	-	5,399,808	5,478,717
Bond issuance costs	-	411,292	-	411,292
Underwriters discount	-	170,140	-	170,140
Total Expenditures	71,352,674	828,893	16,229,716	88,411,283
Excess (Deficiency) of Revenues Over Expenditures	(853,249)	(813,413)	(287,761)	(1,954,423)
Other Financing Sources (Uses)				
Bonds issued	-	45,250,000	-	45,250,000
Loan proceeds	430,844	-	-	430,844
Bond premium	-	980,651	-	980,651
Transfers in	-	-	737,166	737,166
Transfers out	(737,166)	-	-	(737,166)
Total Other Financing Sources (Uses)	(306,322)	46,230,651	737,166	46,661,495
Net Change in Fund Balances	(1,159,571)	45,417,238	449,405	44,707,072
Fund Balances, Beginning of Year	3,944,102	-	1,990,290	5,934,392
Fund Balances, End of Year	\$ 2,784,531	\$45,417,238	\$2,439,695	\$50,641,464

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2008

Net change in fund balances - total governmental funds \$ 44,707,072

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 559,255	
Depreciation expense	<u>(3,059,967)</u>	(2,500,712)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead considered deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (126,354)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (45,680,844)

Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue. (379,294)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities:

Repayment of general obligation bonds	\$ 7,458,044	
Repayment of energy conservation improvement bonds	60,000	
Repayment of installment purchase agreements	253,656	
Repayment of capital leases	<u>12,936</u>	7,784,636

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities however, interest expense is recognized as the interest accrues, regardless of when it is paid. (219,451)

In the Statement of Net Assets, early retirement incentive and accumulated sick leave are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$503,983) exceeded the amounts earned (\$290,477).

213,506

Total changes in net assets - governmental activities \$ 3,798,559

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$10,077,872	\$10,004,937	\$ 9,955,026	\$ (49,911)
State sources	53,110,105	54,256,916	54,555,910	298,994
Federal sources	1,495,186	1,854,326	1,857,993	3,667
Interdistrict sources	4,055,861	4,091,362	4,130,496	39,134
Total Revenues	68,739,024	70,207,541	70,499,425	291,884
Expenditures				
Current:				
Instruction:				
Basic programs	34,441,109	35,030,756	35,122,631	(91,875)
Added needs	6,736,968	7,211,946	6,905,531	306,415
Adult education	41,513	41,297	58,482	(17,185)
Supporting services:				
Pupil services	1,415,419	3,842,155	4,046,541	(204,386)
Instructional staff services	2,872,757	2,846,638	2,903,682	(57,044)
General administrative services	665,097	667,933	619,836	48,097
School administrative services	4,024,775	4,086,373	4,292,635	(206,262)
Business services	1,115,954	1,194,206	1,309,035	(114,829)
Operation and maintenance services	6,618,478	6,518,960	6,701,270	(182,310)
Pupil transportation services	4,398,912	4,691,833	4,814,804	(122,971)
Central services	1,682,978	1,441,794	1,759,798	(318,004)
Community services	2,575,243	2,416,029	2,432,587	(16,558)
Debt service:				
Principal repayment	304,188	304,188	306,933	(2,745)
Interest and fiscal charges	78,587	78,587	78,909	(322)
Interdistrict	2,231,691	-	-	-
Total Expenditures	69,203,669	70,372,695	71,352,674	(979,979)
Excess (Deficiency) Of Revenues Over Expenditures	(464,645)	(165,154)	(853,249)	(688,095)
Other Financing Sources (Uses)				
Loan proceeds	448,754	430,844	430,844	-
Transfers out	(732,665)	(741,812)	(737,166)	4,646
Total Other Financing Sources (Uses)	(283,911)	(310,968)	(306,322)	4,646
Net Change in Fund Balances	(748,556)	(476,122)	(1,159,571)	(683,449)
Fund Balances, July 1	3,944,102	3,944,102	3,944,102	-
Fund Balances, June 30	\$ 3,195,546	\$ 3,467,980	\$ 2,784,531	\$ (683,449)

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash equivalents, deposits and investments (Note B)	\$ 433,386	\$ 644,990
Liabilities		
Due to other funds	-	\$ 100,000
Due to student groups	-	544,990
Total Liabilities	-	\$ 644,990
Net Assets		
Held in trust for:		
Individuals and organizations	\$ 433,386	

See accompanying notes to basic financial statements.

ROCKFORD PUBLIC SCHOOLS
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2008

	Private Purpose Trust Fund
Additions	
Interest earnings	\$ 18,835
Donations	<u>69,969</u>
Total Additions	<u>88,804</u>
Deductions	
Endowment activities - scholarships	<u>72,215</u>
Change In Net Assets	16,589
Net Assets, Beginning of Year	<u>416,797</u>
Net Assets, End of Year	<u><u>\$ 433,386</u></u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Note A – Summary of Significant Accounting Policies

Rockford Public Schools was organized under the School Code of the State of Michigan and services a population of approximately 8,028 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Rockford Public Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

1. Reporting Entity

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

2. District-Wide and Fund Financial Statements

District-Wide Financial Statements - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund and the 2008 Construction Capital Projects Fund are the District's major funds. Non-major funds are aggregated and presented in a single column.

Fund Financial Statements – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with State law and accounting principles generally accepted in the United States of America.

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

General Fund—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

Special Revenue Funds—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

School Service Funds—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletics Funds.

Debt Service Funds—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

Capital Projects Funds—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains a scholarship fund for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

4. Budgets and Budgetary Accounting

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

deficit. Rockford Public Schools has also adopted budgets for its Special Revenue Funds. A school district's Budget Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

Rockford Public Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Associate Superintendent for Business to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them. These amendments were not significant to the total budgets.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles generally accepted in the United States of America.

5. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

6. Investments

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

7. Inventory

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

8. Capital Assets

Capital assets, which include land, land improvements, buildings and additions, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

9. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

10. Early Retirement Incentive/Accumulated Sick Leave

Early retirement incentive and accumulated sick leave at June 30, 2008 have been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused sick days. At June 30, 2008, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive and accumulated sick leave amounted to \$625,000 and \$298,264, respectively.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note B – Cash Equivalents, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.
- Investment pools, as authorized by the Surplus Funds Investment Pool Act.

Balances at June 30, 2008 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 51,061,167

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Fiduciary Funds:

Trust and Agency Funds

\$ 1,078,376

\$ 52,139,543

Cash Equivalents and Deposits

Depositories actively used by the District during the year are detailed as follows:

1. Independent Bank
2. Fifth Third Bank
3. J.P. Morgan Chase Bank, N.A.
4. Flagstar Bank
5. Mercantile Bank

Cash equivalents consist of bank public funds checking and savings accounts. Deposits consist of certificates of deposit.

June 30, 2008 balances are detailed as follows:

Cash equivalents and deposits

\$ 1,061,000

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$1,061,000 and the bank balance was \$1,109,124. Of the bank balance, \$398,120 was covered by federal depository insurance and \$711,004 was uninsured.

Investments

As of June 30, 2008 the District had the following investments:

Surplus Funds Investment Pool Accounts:

Michigan Liquid Asset Fund Plus

Fair Value

\$ 51,078,543

The Michigan Liquid Asset Fund Plus (MILAF) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the State School Code. MILAF is not regulated or registered with the Securities and Exchange Commission and reported the same value of the pool shares as the fair value of the District's investments at June 30, 2008. The MILAF is rated AAAm by Standard & Poor's.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. At June 30, 2008, the District had no investments that were subject to custodial credit risk.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk, but minimizes its credit risk by limiting investments to the types allowed by the State.

Interest Rate Risk

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Concentration of Credit Risk

The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security. Excluding U.S. Government guaranteed investments, and mutual fund and pooled investments, no single investment exceeded 5% of total investments at June 30, 2008.

Foreign Currency Risk

The District is not authorized to invest in investments which have this type of risk.

Note C – State School Aid/Property Taxes

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2007 ad valorem State Education Taxes generated within the Rockford Public School District, and paid to the State of Michigan, totaled \$9,168,439.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2007 and September, 2007. The 2007-08 "Foundation Allowance" for Rockford Public Schools was \$7,204 for 8,006 "Full Time Equivalent" students, generating \$53,188,830 in state aid payments to the District of which \$9,662,170 was paid to the District in July and August, 2008 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the City of Rockford and the Townships of Algoma, Cannon, Courtland, Grattan, Oakfield and the Charter Township of Plainfield, and are due 75 days after levy dates. The taxes are then collected by each governmental unit and remitted to the District. The County of Kent, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Tax Year	General	Debt Service	Total
2007	\$ 17,413	\$ 7,191	\$ 24,604
2006	13,211	4,965	18,176
2005	55,613	24,468	80,081
	<u>\$ 86,237</u>	<u>\$ 36,624</u>	<u>\$ 122,861</u>

Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

As Rockford Public Schools' electors had previously (May, 2005) approved an operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2007.

The District levied a .9817 recreation millage and 8.50 mills for debt service purposes in 2007, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value (at December 31) by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

Note D – Interfund Receivables/Payables and Transfers

Amounts due from (to) other funds representing interfund receivables and payables for year end expenditure allocations not reimbursed at June 30, 2008 are detailed as follows:

	Due From	Due To
Major Funds		
General Fund:		
Special Revenue Funds:		
Food Service Fund	\$ 309,669	\$ 17,088
Athletics Fund	37,362	27,201
Capital Projects Fund:		
2008 Construction Fund	150,000	—

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

	<u>Due From</u>	<u>Due To</u>
Trust and Agency Fund:		
Student Activities Fund	\$ 100,000	\$ —
Capital Projects Fund:		
2008 Construction Fund:		
General Fund	—	150,000
Total Major Funds	597,031	194,289
Nonmajor Funds		
Special Revenue Funds:		
Food Service Fund:		
General Fund	17,088	309,669
Athletics Fund:		
General Fund	27,201	37,362
Trust and Agency Fund:		
Student Activities Fund:		
General Fund	—	100,000
Total Nonmajor Funds	44,289	447,031
Total All Funds	<u>\$ 641,320</u>	<u>\$ 641,320</u>

Transfers between funds during the year ended June 30, 2008 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Fund		
General Fund:		
Athletics Fund	\$ —	\$ 737,166
Nonmajor Fund		
Athletics Fund:		
General Fund	737,166	—
Total All Funds	<u>\$ 737,166</u>	<u>\$ 737,166</u>

The General Fund transfer to the Athletics Fund was made to pay the General Fund's share of support for the athletic program for the fiscal year.

Note E – Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balances July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2008</u>
Capital assets not depreciated:				
Land	\$ 1,962,840	\$ —	\$ —	\$ 1,962,840
Capital assets being depreciated:				
Land improvements	4,443,706	—	—	4,443,706
Buildings and additions	85,789,123	—	—	85,789,123
Furniture and equipment	12,179,420	128,411	—	12,307,831
Vehicles	4,256,028	430,844	429,474	4,257,398
Totals at historical cost	<u>108,631,117</u>	<u>\$ 559,255</u>	<u>\$ 429,474</u>	<u>108,760,898</u>

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

	Balances July 1, 2007	Additions	Deductions	Balances June 30, 2008
Less accumulated depreciation for:				
Land improvements	\$ 3,030,672	\$ 209,268	\$ —	\$ 3,239,940
Buildings and additions	29,305,691	2,024,603	—	31,330,294
Furniture and equipment	7,468,262	529,883	—	7,998,145
Vehicles	2,699,683	529,883	429,474	2,566,422
Total accumulated depreciation	42,504,308	\$3,059,967	\$ 429,474	45,134,801
Net Capital Assets	\$ 66,126,809			\$ 63,626,097

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,964,917
Supporting services	642,046
Community services	3,738
Food service	93,589
Athletics	231,517
Unallocated	124,161
	<u>\$ 3,059,967</u>

Note F – Short-term Debt

On August 20, 2007, the District repaid the \$2,030,000 August 18, 2006 State aid anticipation loan. On August 20, 2007 the District borrowed \$4,150,000, for cash flow purposes, in anticipation of State aid (interest at 3.68%) due in full on August 20, 2008. Total interest expense on the loans was \$163,805 for the fiscal year.

Note G – Long-term Debt

Amounts available and to be provided for outstanding long-term debt at June 30, 2008 are summarized as follows:

	Bond Issues	Installment Purchase Agreements	Early Retirement Incentive/ Accumulated Sick Leave	Total
Amount Available For Retirement Of Long-Term Debt				
Debt Service Funds	\$ 2,331,726	\$ —	\$ —	\$ 2,331,726
Amounts To Be Provided For Retirement Of Long-Term Debt				
State of Michigan	531,430	—	—	531,430
General Fund	1,080,000	695,649	923,264	2,698,913
Debt Service Funds	129,843,459	—	—	129,843,459
Total Amounts Available and To Be Provided	\$133,786,615	\$ 695,649	\$ 923,264	\$135,405,528

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Changes in long-term debt for the year ended June 30, 2008 are summarized as follows:

	Debt Outstanding July 1, 2007	Debt Added	Debt Retired	Debt Outstanding June 30, 2008
General obligation bonds:				
February 22, 1990	\$ 773,229	\$ —	\$ 283,044	\$ 490,185
August 1, 1997	4,200,000	—	2,050,000	2,150,000
February 15, 2002	12,275,000	—	10,000	12,265,000
March 13, 2002	29,430,000	—	1,325,000	28,105,000
March 3, 2005	34,850,000	—	25,000	34,825,000
March 7, 2006 – Series A	2,100,000	—	195,000	1,905,000
March 7, 2006 – Series B	10,755,000	—	3,570,000	7,185,000
May 29, 2008	—	45,250,000	—	45,250,000
Durant non-plaintiff bonds:				
November 13, 1998	531,430	—	—	531,430
Energy conservation improvement bonds:				
May 22, 2006	1,140,000	—	60,000	1,080,000
Installment purchase agreements	518,461	430,844	253,656	695,649
Capital leases	12,936	—	12,936	—
Early retirement incentive – voluntary	528,576	123,000	271,576	380,000
Early retirement incentive – contractual	288,000	66,000	109,000	245,000
Accumulated sick leave	320,194	101,477	123,407	298,264
	<u>\$ 97,722,826</u>	<u>\$ 45,971,321</u>	<u>\$ 8,288,619</u>	<u>\$ 135,405,528</u>

Long-term bonds and installment purchase agreements outstanding at June 30, 2008 are comprised of the following:

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
General Obligation Bonds				
\$12,222M 1990 Building and Site Refunding:				
Annual maturity of \$490,185	May 1, 2009	8.10	\$ 490,185	\$ 490,185
\$66,500M 1997 Building and Site:				
Annual maturity of \$2,150M	May 1, 2009	6.50	2,150,000	2,150,000
\$12,300M 2002 General Obligation Refunding:				
Annual maturities of \$10M to \$2,630M	May 1, 2014	3.95 - 5.00	12,265,000	10,000
\$34,880M 2002 General Obligation Refunding:				
Annual maturities of \$330M to \$3,055M	May 1, 2019	3.95 - 5.00	28,105,000	330,000
\$34,875M 2005 General Obligation Refunding:				
Annual maturities of \$25M to \$2,780M	May 1, 2027	3.00 - 5.00	34,825,000	25,000
\$2,305M 2006 General Obligation Refunding Series A:				
Annual maturities of \$160M to \$190M	May 1, 2020	3.75 - 5.00	1,905,000	160,000
\$13,435M 2006 General Obligation Refunding Series B:				
Annual maturities of \$3,175M to \$4,010M	May 1, 2010	4.00 - 4.763	7,185,000	3,175,000
\$45,250M 2008 Building and Site:				
Annual maturities of \$1,000M to \$3,985M	May 1, 2033	3.00 - 5.00	45,250,000	—

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

	Final Maturity Dates	Interest Rates	Outstanding Balance	Amount Due Within One Year
Durant Non-plaintiff Bonds				
\$900,023 1998 Durant School Improvement: Annual maturities of \$50M to \$314M	May 15, 2013	4.761353	\$ 531,430	\$ 50,089
Energy Conservation Improvement Bonds				
\$1,200M 2006 Improvement: Annual maturities of \$65M to \$105M	May 1, 2021	4.25 – 4.45	1,080,000	65,000
Installment Purchase Agreements				
\$380,754 2005 School Buses: Annual maturity of \$130,925	July 25, 2008	3.22	130,925	130,925
\$380,718 2006 School Buses: Annual maturity of \$133,880	June 22, 2009	5.59	133,880	133,880
\$430,844 2007 School Buses: Annual maturities of \$138M to \$149M	July 11, 2010	3.79	430,844	138,307
			<u>\$ 134,482,264</u>	<u>\$ 6,858,386</u>

The annual requirements to pay principal and interest on long-term bonds, installment purchase agreements and capital leases outstanding are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 6,858,386	\$ 7,707,736	\$ 14,566,122
2010	9,256,020	5,945,142	15,201,162
2011	7,233,960	5,517,597	12,751,557
2012	7,733,573	5,302,729	13,036,302
2013	8,065,325	4,862,590	12,927,915
2014	7,620,000	4,525,762	12,145,762
2015	6,780,000	4,204,076	10,984,076
2016	6,865,000	3,893,285	10,758,285
2017	6,925,000	3,573,273	10,498,273
2018	6,950,000	3,280,716	10,230,716
2019	6,980,000	2,976,610	9,956,610
2020	3,920,000	2,639,559	6,559,559
2021	3,760,000	2,455,422	6,215,422
2022	3,640,000	2,276,750	5,916,750
2023	3,630,000	2,094,750	5,724,750

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Year Ended June 30	Principal	Interest	Total
2024	\$ 3,615,000	\$ 1,931,250	\$ 5,528,250
2025	3,600,000	1,732,500	5,332,500
2026	3,585,000	1,552,500	5,137,500
2027	3,565,000	1,373,250	4,938,250
2028	3,980,000	1,195,000	5,175,000
2029	3,980,000	996,000	4,976,000
2030	3,985,000	797,000	4,782,000
2031	3,985,000	597,750	4,582,750
2032	3,985,000	398,500	4,383,500
2033	3,965,000	199,250	4,184,250
	<u>\$ 134,482,264</u>	<u>\$ 72,010,997</u>	<u>\$206,493,261</u>

Note H – Retirement Plan

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2008 was \$40,562,213. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan-Fixed (MIP-Fixed). Effective January 1, 1990, all new employees are automatically enrolled in the MIP-Graded Plan. Participants in the MIP-Fixed or MIP-Graded Plans receive benefits in addition to those available under the Basic Plan. The contribution rate for MIP-Fixed participants is 3.9% of salary. The contribution rate for MIP-Graded participants is a graduated rate based on total wages: calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. All MIP members may retire at age 46 with 30 years of service; at age 60 with 5 years of service; at age 55 with 15 years of service (with stipulations); at age 60 with 10 years of service (with stipulations); or at age 60 with 5 years of service (with stipulations). Benefits are based on a final average compensation period of 5 years for Basic Plan participants and 3 years for Member Investment Plan participants.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 17.74% for the fiscal year ending September 30, 2007 and 16.72% for the fiscal year beginning October 1, 2007. The District's contributions to the plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$ 6,837,242, \$6,725,909, and \$5,984,052, respectively.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS uses the aggregate actuarial cost method, and does not make separate measurements of assets and actuarial accrued liability for individual school districts. The actuarial accrued liability at September 30, 2006 (the latest reporting date available expressed as \$ in millions) for retirement benefits for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$49,136. Net assets available for retirement benefits on that date were \$42,995 leaving an unfunded actuarial accrued liability of \$6,141. The total unfunded actuarial accrued liability decreased by \$3,102 from September 30, 2005 to September 30, 2006. At September 30, 2006 the funded ratio of actuarial accrued liability was 87.5%; covered payroll totaled \$9,806, and unfunded actuarial accrued liability was 62.6% of covered payroll.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above. At September 30, 2006, the actuarial accrued liability for post-employment insurance benefits for the MPSERS as a whole (expressed as \$ in millions) was \$25,387. The MPSERS net assets available for these benefits were \$630 leaving an unfunded actuarial accrued liability of \$24,757. This is the first year that the State is reporting this liability, which is now required to be disclosed in compliance with Governmental Accounting Standards Board (GASB) Statement No. 43. At September 30, 2006 the funded ratio of actuarial liability was 2.5%; covered payroll totaled \$9,806, and unfunded actuarial liability was 252.5% of covered payroll.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2007 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

Note I – Risk Management and Benefits

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$250,000 and \$1,175,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$215,960 in premiums to the Trust for the year ended June 30, 2008.

The District is also a member of the West Michigan Workers' Compensation Fund, a self-insurance program with 19 districts pooling together to insure workers' compensation and employers' liability exposures. The Fund pays the first \$450,000 of any workers' compensation or employers' liability loss out of an \$2,122,000 loss fund collected from members. Excess insurance has been purchased to cover claims exceeding those amounts. As of June 30, 2008, there were no material pending claims against the District. The District paid \$246,540 in premiums to the Fund for the year ended June 30, 2008.

ROCKFORD PUBLIC SCHOOLS
Notes to Basic Financial Statements
June 30, 2008

Health, life, and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in the 2007-08 fiscal year.

Note J – Stewardship, Compliance and Accountability

The following District funds had actual expenditures and other financing uses exceed final budgeted amounts for the year ended June 30, 2008, as follows:

	Budget	Actual	Unfavorable Variance
General Fund			
Instruction:			
Basic programs	\$ 35,030,756	\$ 35,122,631	\$ 91,875
Adult education	41,297	58,482	17,185
Supporting services:			
Pupil services	3,842,155	4,046,541	204,386
Instructional staff services	2,846,638	2,903,682	57,044
School administrative services	4,086,373	4,292,635	206,262
Business services	1,194,206	1,309,035	114,829
Operation and maintenance services	6,518,960	6,701,270	182,310
Pupil transportation services	4,691,833	4,814,804	122,971
Central services	1,441,794	1,759,798	318,004
Community services	2,416,029	2,432,587	16,558
Debt service:			
Principal repayment	304,188	306,933	2,745
Interest and fiscal charges	78,587	78,909	322
Special Revenue Funds			
Food Service Fund	2,029,851	2,184,968	155,117
Athletics Fund	1,150,885	1,186,896	36,011

Note K – Commitments

On June 5, 2008, the District issued \$45,250,000 of general obligation building and site bonds whose proceeds are being used for land improvements, building renovations and additions and furniture and equipment purchases. At June 30, 2008, unspent balances committed to these construction projects totaled approximately \$45,400,000, which are expected to be fully expended by the year ended June 30, 2009.

SUPPLEMENTAL INFORMATION

GENERAL FUND

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 1,150	\$ 1,150
Cash equivalents, deposits and investments	2,653,703	2,698,596
Receivables:		
Taxes	86,237	169,578
Accounts	111,378	-
Due from other funds	597,031	117,477
Due from other governmental units	11,114,835	9,638,483
Inventory	64,747	34,861
Prepaid expenditures	228,545	34,389
Total Assets	<u><u>\$ 14,857,626</u></u>	<u><u>\$ 12,694,534</u></u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,883,344	\$ 2,345,537
State aid anticipation loan payable	4,150,000	2,030,000
Due to other funds	44,289	57,644
Due to other units of government	1,561,971	1,048,090
Payroll withholdings payable	14,994	13,792
Accrued interest payable	152,720	75,119
Salaries payable	3,135,149	2,935,861
Deferred revenue	130,628	244,389
Total Liabilities	<u>12,073,095</u>	<u>8,750,432</u>
Fund Balances		
Unreserved:		
Undesignated	<u>2,784,531</u>	<u>3,944,102</u>
Total Fund Balances	<u>2,784,531</u>	<u>3,944,102</u>
Total Liabilities and Fund Balances	<u><u>\$ 14,857,626</u></u>	<u><u>\$ 12,694,534</u></u>

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2008 and 2007

	2008	2007
Local sources:		
Property taxes:		
Operating	\$ 5,611,452	\$ 5,503,329
Recreation	1,498,499	1,438,600
Industrial facilities taxes	17,227	18,492
Delinquent property taxes	13,031	27,585
Other property taxes	20,962	14,678
Interest on delinquent taxes	17,488	14,166
	7,178,659	7,016,850
Interest earnings:		
Interest on investments	168,420	180,479
Other local revenue:		
Adult/community education fees	1,472,610	1,373,637
Driver education fees	95,127	97,817
Transportation testing fees	64,559	61,317
Child care fees	237,875	258,184
Third party testing	70,335	77,286
Beverage consortium commissions	163,019	160,759
Sale of school property	23,630	13,090
Rental of school facilities	201,000	178,665
Donations	142,205	137,408
Universal service credit	17,887	64,824
Refunds of prior year expenditures	106,571	152,699
Miscellaneous	13,129	20,159
	2,607,947	2,595,845
Total local sources	9,955,026	9,793,174
State sources:		
State school aid	53,118,132	51,750,114
Special education - transportation	1,097,812	905,113
Special education - itinerants	292,334	123,058
FICA/retirement reimbursement	47,632	47,632
Total state sources	54,555,910	52,825,917
Federal sources:		
Title I	437,479	261,631
Title IIA	165,557	161,444
Title IID	4,091	2,680
Title III	3,931	2,537
Title V	1,699	1,667
I.D.E.A. program	1,115,779	1,111,878
FLAP Grant	100,658	-
Drug free schools	15,103	13,411
Child care food program	5,899	6,564
SPSR Grant	-	5,490
Medicaid - school based	7,797	4,005
Total federal sources	1,857,993	1,571,307

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Revenues
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Interdistrict sources:		
Special education - county	\$ 3,709,372	\$ 3,558,151
Special education - tuition	154,352	146,902
Durant settlement reimbursement	16,510	16,510
Medicaid fee for service	247,953	190,020
Other	<u>2,309</u>	<u>2,609</u>
Total interdistrict sources	<u>4,130,496</u>	<u>3,914,192</u>
Total Revenues	<u><u>\$ 70,499,425</u></u>	<u><u>\$ 68,104,590</u></u>

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 10,205,922	\$ 9,651,126
Employee benefits	4,658,786	4,575,532
Purchased services	183,765	206,334
Supplies	266,101	242,811
Capital outlay	21,457	32,637
	<u>15,336,031</u>	<u>14,708,440</u>
Middle school:		
Salaries	5,600,444	5,355,606
Employee benefits	2,573,967	2,561,777
Purchased services	102,215	84,308
Supplies	108,430	112,425
Capital outlay	12,441	3,659
Miscellaneous	446	-
	<u>8,397,943</u>	<u>8,117,775</u>
High school:		
Salaries	7,327,323	6,936,464
Employee benefits	3,568,707	3,480,338
Purchased services	131,483	215,686
Supplies	228,384	172,189
Capital outlay	7,066	21,724
Miscellaneous	5,553	4,507
	<u>11,268,516</u>	<u>10,830,908</u>
Preschool:		
Salaries	46,123	48,537
Employee benefits	18,107	19,085
Purchased services	34,488	31,854
Supplies	2,820	3,145
	<u>101,538</u>	<u>102,621</u>
Summer school:		
Salaries	14,800	8,645
Employee benefits	3,803	2,008
	<u>18,603</u>	<u>10,653</u>
Total basic programs	<u>35,122,631</u>	<u>33,770,397</u>
Added needs:		
Special education:		
Salaries	3,589,279	3,523,146
Employee benefits	1,658,705	1,703,293
Purchased services	52,728	41,539
Supplies	31,160	26,333
Capital outlay	1,757	4,596
Miscellaneous	-	3,784
Payments to other districts	496,850	536,827
	<u>5,830,479</u>	<u>5,839,518</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Compensatory education:		
Salaries	\$ 633,787	\$ 538,859
Employee benefits	285,474	229,727
Purchased services	53,429	33,988
Supplies	45,458	1,459
	<u>1,018,148</u>	<u>804,033</u>
Vocational education:		
Salaries	44	350
Employee benefits	10	89
Purchased services	7,698	7,132
Supplies	21,276	14,195
Capital outlay	27,876	18,341
	<u>56,904</u>	<u>40,107</u>
Total added needs	6,905,531	6,683,658
Adult education services:		
Basic:		
Salaries	41,672	74,208
Employee benefits	13,084	22,418
Purchased services	-	1,612
Supplies	3,637	3,906
Miscellaneous	89	523
Total adult education services	<u>58,482</u>	<u>102,667</u>
Supporting services:		
Pupil services:		
Guidance services:		
Salaries	924,777	793,591
Employee benefits	449,573	401,864
Purchased services	14,984	10,139
Supplies	4,003	2,154
	<u>1,393,337</u>	<u>1,207,748</u>
Occupational therapist services:		
Salaries	77,121	73,815
Employee benefits	50,844	50,267
Purchased services	4,477	5,392
Supplies	7,367	5,379
Miscellaneous	-	270
Payments to other districts	291,255	284,706
	<u>431,064</u>	<u>419,829</u>
Psychological services:		
Salaries	(40)	-
Employee benefits	549	520
Purchased services	565	1,085
Supplies	2,771	3,609
Miscellaneous	-	324
Payments to other districts	495,061	452,430
	<u>498,906</u>	<u>457,968</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Speech pathology services:		
Employee benefits	\$ 340	\$ -
Purchased services	1,611	1,275
Supplies	4,930	4,366
Miscellaneous	-	378
Payments to other districts	599,341	583,013
	<u>606,222</u>	<u>589,032</u>
Social worker services:		
Salaries	3,497	985
Employee benefits	31,011	9,958
Purchased services	1,514	1,432
Supplies	1,433	2,994
Miscellaneous	-	324
Payments to other districts	572,343	527,550
	<u>609,798</u>	<u>543,243</u>
Teacher consultant services:		
Supplies	565	353
Miscellaneous	-	270
Payments to other districts	506,649	485,842
	<u>507,214</u>	<u>486,465</u>
Total pupil services	4,046,541	3,704,285
Instructional staff services:		
Improvement of instruction:		
Salaries	247,934	335,483
Employee benefits	77,587	84,834
Purchased services	196,017	133,177
Supplies	155,030	108,684
Capital outlay	-	3,419
Miscellaneous	2,540	810
	<u>679,108</u>	<u>666,407</u>
Library:		
Salaries	730,540	663,253
Employee benefits	390,850	376,611
Purchased services	9,475	11,121
Supplies	169,145	171,744
Miscellaneous	10,359	22,396
	<u>1,310,369</u>	<u>1,245,125</u>
Educational television:		
Salaries	27,904	25,239
Employee benefits	23,267	20,653
Purchased services	34	426
Supplies	117	2,281
Capital outlay	8,608	19,497
Miscellaneous	20	20
	<u>59,950</u>	<u>68,116</u>
Instructional technology:		
Salaries	195,621	115,508
Employee benefits	125,323	95,575
Purchased services	1,320	-
Supplies	-	630
Miscellaneous	-	2,329
	<u>322,264</u>	<u>214,042</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Supervision and direction of instruction:		
Salaries	\$ 315,622	\$ 360,238
Employee benefits	173,357	176,028
Purchased services	21,451	15,962
Supplies	9,211	7,262
Capital outlay	12,190	15,215
Miscellaneous	160	160
	<u>531,991</u>	<u>574,865</u>
Total instructional staff services	2,903,682	2,768,555
General administrative services:		
Board of education:		
Purchased services	177,516	146,764
Supplies	13,633	25,675
Capital outlay	2,880	10,620
Miscellaneous	16,550	9,578
	<u>210,579</u>	<u>192,637</u>
Executive administration:		
Salaries	280,625	266,314
Employee benefits	94,954	92,113
Purchased services	20,045	21,979
Supplies	6,665	6,033
Capital outlay	-	1,923
Miscellaneous	6,968	5,412
	<u>409,257</u>	<u>393,774</u>
Total general administrative services	619,836	586,411
School administrative services:		
Office of the principal:		
Salaries	2,785,150	2,645,324
Employee benefits	1,423,397	1,305,850
Purchased services	40,531	42,306
Supplies	22,003	25,093
Capital outlay	9,372	2,851
Miscellaneous	12,182	12,432
	<u>4,292,635</u>	<u>4,033,856</u>
Total school administrative services		
Business services:		
Fiscal services:		
Salaries	485,555	474,298
Employee benefits	228,450	232,484
Purchased services	53,299	51,088
Supplies	11,923	14,891
Capital outlay	-	243
Miscellaneous	345	664
Payments to other districts	-	122
	<u>779,572</u>	<u>773,790</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Document center:		
Salaries	\$ 50,995	\$ 49,783
Employee benefits	40,921	40,441
Purchased services	77,412	74,948
Supplies	76,032	79,218
	<u>245,360</u>	<u>244,390</u>
Other business services:		
Miscellaneous	284,103	148,709
Total business services	<u>1,309,035</u>	<u>1,166,889</u>
Operation and maintenance services:		
Operation and maintenance:		
Salaries	2,091,021	1,957,186
Employee benefits	1,185,774	1,196,738
Purchased services	1,218,335	1,176,118
Supplies	1,588,037	1,648,292
Capital outlay	49,820	1,216,529
Miscellaneous	2,689	2,760
	<u>6,135,676</u>	<u>7,197,623</u>
Security services:		
Salaries	314,372	309,090
Employee benefits	235,030	209,347
Purchased services	20,950	10,373
Supplies	(6,003)	(8,758)
Capital outlay	1,245	16,135
	<u>565,594</u>	<u>536,187</u>
Total operation and maintenance services	<u>6,701,270</u>	<u>7,733,810</u>
Pupil transportation services:		
Pupil transportation:		
Salaries	1,437,670	1,377,993
Employee benefits	822,573	808,838
Purchased services	208,918	224,823
Supplies	416,118	278,710
Capital outlay	431,016	408,644
Miscellaneous	3,193	5,020
Payments to other districts	1,495,316	1,371,201
Total pupil transportation services	<u>4,814,804</u>	<u>4,475,229</u>
Central services:		
Personnel services:		
Salaries	108,312	110,041
Employee benefits	58,836	73,142
Purchased services	237,711	222,939
Supplies	9,660	8,276
Capital outlay	2,608	11,608
Miscellaneous	3,175	49,755
	<u>420,302</u>	<u>475,761</u>

(Continued)

ROCKFORD PUBLIC SCHOOLS
General Fund
Comparative Schedule of Expenditures
For the years ended June 30, 2008 and 2007

	2008	2007
Operational technology services:		
Salaries	\$ 344,431	\$ 424,431
Employee benefits	199,473	213,188
Purchased services	644,120	704,887
Supplies	39,208	67,929
Capital outlay	109,666	278,155
Miscellaneous	2,598	1,871
	<u>1,339,496</u>	<u>1,690,461</u>
Total central services	1,759,798	2,166,222
Community services:		
Community education, pool and CDL testing:		
Salaries	411,846	412,896
Employee benefits	162,319	157,986
Purchased services	538	4,678
Supplies	10,893	4,871
Capital outlay	203	667
	<u>585,799</u>	<u>581,098</u>
Leisure time activities:		
Salaries	389,872	313,082
Employee benefits	159,700	130,636
Purchased services	115,383	113,248
Supplies	80,277	53,158
Capital outlay	512	1,383
Miscellaneous	36,941	34,462
	<u>782,685</u>	<u>645,969</u>
Custody and care of children:		
Salaries	803,553	713,983
Employee benefits	173,731	193,435
Purchased services	3,376	3,428
Supplies	77,022	63,661
Capital outlay	6,421	13,148
	<u>1,064,103</u>	<u>987,655</u>
Total community services	2,432,587	2,214,722
Capital outlay:		
Land	-	258
Debt service:		
Principal repayment	306,933	302,975
Interest and fiscal charges	78,909	80,100
Total debt service	<u>385,842</u>	<u>383,075</u>
Total Expenditures	<u><u>\$ 71,352,674</u></u>	<u><u>\$ 69,790,034</u></u>

NONMAJOR GOVERNMENTAL FUNDS

ROCKFORD PUBLIC SCHOOLS
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2008

	Special Revenue		1990	1997
	Food Service	Athletics		
Assets				
Cash equivalents, deposits and investments	\$ 308,748	\$ 16,964	\$ 464,737	\$ 126,091
Receivables:				
Taxes	-	-	3,816	6,353
Accounts	5,624	-	-	-
Due from other funds	17,088	27,201	-	-
Inventory	91,071	-	-	-
Total Assets	<u>\$ 422,531</u>	<u>\$ 44,165</u>	<u>\$ 468,553</u>	<u>\$ 132,444</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 4,893	\$ 6,803	\$ -	\$ -
Due to other funds	309,669	37,362	-	-
Deferred revenue	-	-	3,816	6,353
Total Liabilities	<u>314,562</u>	<u>44,165</u>	<u>3,816</u>	<u>6,353</u>
Fund Balances				
Reserved for debt service	-	-	464,737	126,091
Unreserved:				
Undesignated	107,969	-	-	-
Total Fund Balances	<u>107,969</u>	<u>-</u>	<u>464,737</u>	<u>126,091</u>
Total Liabilities and Fund Balances	<u>\$ 422,531</u>	<u>\$ 44,165</u>	<u>\$ 468,553</u>	<u>\$ 132,444</u>

Debt Service					
2002 (A)	2002 (B)	2005	2006 (A)	2006 (B)	Total
\$ 134,029	\$ 832,973	\$ 467,929	\$ 27,050	\$ 278,917	\$ 2,657,438
5,981	1,630	13,515	674	4,655	36,624
-	-	-	-	-	5,624
-	-	-	-	-	44,289
-	-	-	-	-	91,071
<u>\$ 140,010</u>	<u>\$ 834,603</u>	<u>\$ 481,444</u>	<u>\$ 27,724</u>	<u>\$ 283,572</u>	<u>\$ 2,835,046</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,696
-	-	-	-	-	347,031
5,981	1,630	13,515	674	4,655	36,624
<u>5,981</u>	<u>1,630</u>	<u>13,515</u>	<u>674</u>	<u>4,655</u>	<u>395,351</u>
134,029	832,973	467,929	27,050	278,917	2,331,726
-	-	-	-	-	107,969
<u>134,029</u>	<u>832,973</u>	<u>467,929</u>	<u>27,050</u>	<u>278,917</u>	<u>2,439,695</u>
<u>\$ 140,010</u>	<u>\$ 834,603</u>	<u>\$ 481,444</u>	<u>\$ 27,724</u>	<u>\$ 283,572</u>	<u>\$ 2,835,046</u>

ROCKFORD PUBLIC SCHOOLS
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the year ended June 30, 2008

	Special Revenue			
	Food Service	Athletics	1990	1997
Revenues				
Local sources:				
Property taxes	\$ -	\$ -	\$ 1,587,175	\$ 2,308,071
Interest earnings	7,059	525	30,354	40,253
Sales and admissions	1,548,122	449,205	-	-
Total local sources	1,555,181	449,730	1,617,529	2,348,324
State sources	85,290	-	-	-
Federal sources	433,645	-	-	-
Total Revenues	2,074,116	449,730	1,617,529	2,348,324
Expenditures				
Current:				
Food service	2,184,968	-	-	-
Athletics	-	1,186,896	-	-
Debt service:				
Principal repayment	-	-	283,044	2,050,000
Interest and fiscal charges	-	-	921,377	282,608
Total Expenditures	2,184,968	1,186,896	1,204,421	2,332,608
Excess (Deficiency) of Revenues Over Expenditures	(110,852)	(737,166)	413,108	15,716
Other Financing Sources				
Transfers in	-	737,166	-	-
Net Change in Fund Balances	(110,852)	-	413,108	15,716
Fund Balances, July 1	218,821	-	51,629	110,375
Fund Balances, June 30	\$ 107,969	\$ -	\$ 464,737	\$ 126,091

Debt Service					
2002 (A)	2002 (B)	2005	2006 (A)	2006 (B)	Total
\$ 2,671,859	\$ 681,565	\$ 1,936,322	\$ 294,236	\$ 3,686,088	\$13,165,316
34,520	36,725	27,250	4,072	79,619	260,377
-	-	-	-	-	1,997,327
2,706,379	718,290	1,963,572	298,308	3,765,707	15,423,020
-	-	-	-	-	85,290
-	-	-	-	-	433,645
2,706,379	718,290	1,963,572	298,308	3,765,707	15,941,955
-	-	-	-	-	2,184,968
-	-	-	-	-	1,186,896
1,325,000	10,000	25,000	195,000	3,570,000	7,458,044
1,381,965	589,276	1,676,396	85,916	462,270	5,399,808
2,706,965	599,276	1,701,396	280,916	4,032,270	16,229,716
(586)	119,014	262,176	17,392	(266,563)	(287,761)
-	-	-	-	-	737,166
(586)	119,014	262,176	17,392	(266,563)	449,405
134,615	713,959	205,753	9,658	545,480	1,990,290
\$ 134,029	\$ 832,973	\$ 467,929	\$ 27,050	\$ 278,917	\$ 2,439,695

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 1,571,830	\$ 1,555,181	\$ (16,649)
State sources	94,711	85,290	(9,421)
Federal sources	400,489	433,645	33,156
Total Revenues	<u>2,067,030</u>	<u>2,074,116</u>	<u>7,086</u>
Expenditures			
Current:			
Food service	<u>2,029,851</u>	<u>2,184,968</u>	<u>(155,117)</u>
Net Change in Fund Balances	37,179	(110,852)	(148,031)
Fund Balances, July 1	<u>218,821</u>	<u>218,821</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 256,000</u></u>	<u><u>\$ 107,969</u></u>	<u><u>\$ (148,031)</u></u>

ROCKFORD PUBLIC SCHOOLS
Athletics Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2008

	Budget	Actual	Variance - Positive (Negative)
Revenues			
Local sources	\$ 409,073	\$ 449,730	\$ 40,657
Expenditures			
Current:			
Athletics	1,150,885	1,186,896	(36,011)
Excess (Deficiency) of Revenues Over Expenditures	(741,812)	(737,166)	4,646
Other Financing Sources			
Transfers in	741,812	737,166	(4,646)
Net Change in Fund Balances	-	-	-
Fund Balances, July 1	-	-	-
Fund Balances, June 30	\$ -	\$ -	\$ -

SPECIAL REVENUE FUNDS

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Athletics—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	\$ 308,748	\$ 212,833
Accounts receivable	5,624	7,361
Due from other funds	17,088	17,228
Inventory	91,071	71,327
Total Assets	<u><u>\$ 422,531</u></u>	<u><u>\$ 308,749</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 4,893	\$ 3,369
Due to other funds	309,669	86,559
Total Liabilities	<u>314,562</u>	<u>89,928</u>
Fund Balances		
Unreserved:		
Undesignated	<u>107,969</u>	<u>218,821</u>
Total Liabilities and Fund Balances	<u><u>\$ 422,531</u></u>	<u><u>\$ 308,749</u></u>

ROCKFORD PUBLIC SCHOOLS
Food Service Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on investments	\$ 7,059	\$ 11,018
Sales and admissions:		
Children's lunches	782,111	799,267
Adult lunches	20,345	19,105
Ala carte	654,971	649,820
Special services	82,232	92,011
Refunds	6,468	14,469
Other	1,995	-
	<u>1,548,122</u>	<u>1,574,672</u>
Total local sources	<u>1,555,181</u>	<u>1,585,690</u>
State sources	85,290	93,418
Federal sources	<u>433,645</u>	<u>368,434</u>
Total Revenues	<u>2,074,116</u>	<u>2,047,542</u>
Expenditures		
Current:		
Food service:		
Salaries	622,373	558,500
Employee benefits	390,517	353,419
Purchased services	133,426	124,095
Supplies	1,005,308	890,198
Capital outlay	26,587	12,552
Miscellaneous	6,757	4,032
	<u>2,184,968</u>	<u>1,942,796</u>
Total Expenditures	<u>2,184,968</u>	<u>1,942,796</u>
Net Change in Fund Balances	(110,852)	104,746
Fund Balances, July 1	<u>218,821</u>	<u>114,075</u>
Fund Balances, June 30	<u><u>\$ 107,969</u></u>	<u><u>\$ 218,821</u></u>

ROCKFORD PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ -	\$ 54
Cash equivalents, deposits and investments	16,964	4,847
Due from other funds	<u>27,201</u>	<u>40,416</u>
Total Assets	<u><u>\$ 44,165</u></u>	<u><u>\$ 45,317</u></u>
 Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 6,803	\$ 1,607
Due to other funds	37,362	30,918
Due to other governmental units	-	2,251
Salaries payable	<u>-</u>	<u>10,541</u>
Total Liabilities	<u>44,165</u>	<u>45,317</u>
Fund Balances		
Unreserved:		
Undesignated	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u><u>\$ 44,165</u></u>	<u><u>\$ 45,317</u></u>

ROCKFORD PUBLIC SCHOOLS
Athletics Special Revenue Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Interest earnings:		
Interest on investments	\$ 525	\$ 319
Sales and admissions:		
Gate receipts	176,225	161,747
Sports fees and charges	199,485	212,582
Donations	59,422	41,300
Other revenue	14,073	1,200
	<u>449,205</u>	<u>416,829</u>
Total Revenues	<u>449,730</u>	<u>417,148</u>
Expenditures		
Current:		
Athletics:		
Salaries	696,789	650,771
Employee benefits	210,815	206,010
Purchased services	107,607	127,750
Supplies	61,590	47,791
Capital outlay	79,121	91,179
Miscellaneous	30,974	26,843
	<u>1,186,896</u>	<u>1,150,344</u>
Total Expenditures	<u>1,186,896</u>	<u>1,150,344</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(737,166)</u>	<u>(733,196)</u>
Other Financing Sources		
Transfers in	<u>737,166</u>	<u>733,196</u>
Net Change in Fund Balances	-	-
Fund Balances, July 1	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

DEBT SERVICE FUNDS

To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

ROCKFORD PUBLIC SCHOOLS
Debt Service Funds
Combining Balance Sheet
June 30, 2008

	<u>1990</u>	<u>1997</u>	<u>2002 (A)</u>	<u>2002 (B)</u>
Assets				
Cash equivalents, deposits and investments	\$ 464,737	\$ 126,091	\$ 134,029	\$ 832,973
Taxes receivables	3,816	6,353	5,981	1,630
Due from other funds	-	-	-	-
Accrued interest	-	-	-	-
Total Assets	<u><u>\$ 468,553</u></u>	<u><u>\$ 132,444</u></u>	<u><u>\$ 140,010</u></u>	<u><u>\$ 834,603</u></u>
 Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Deferred revenue	<u>3,816</u>	<u>6,353</u>	<u>5,981</u>	<u>1,630</u>
Total Liabilities	<u>3,816</u>	<u>6,353</u>	<u>5,981</u>	<u>1,630</u>
 Fund Balances				
Reserved for debt service	<u>464,737</u>	<u>126,091</u>	<u>134,029</u>	<u>832,973</u>
Total Liabilities and Fund Balances	<u><u>\$ 468,553</u></u>	<u><u>\$ 132,444</u></u>	<u><u>\$ 140,010</u></u>	<u><u>\$ 834,603</u></u>

2005	2006 (A)	2006 (B)	Totals	
			2008	2007
\$ 467,929	\$ 27,050	\$ 278,917	\$ 2,331,726	\$ 1,767,712
13,515	674	4,655	36,624	79,637
-	-	-	-	55,000
-	-	-	-	3,757
<u>\$ 481,444</u>	<u>\$ 27,724</u>	<u>\$ 283,572</u>	<u>\$ 2,368,350</u>	<u>\$ 1,906,106</u>
\$ -	\$ -	\$ -	\$ -	\$ 55,000
13,515	674	4,655	36,624	79,637
<u>13,515</u>	<u>674</u>	<u>4,655</u>	<u>36,624</u>	<u>134,637</u>
<u>467,929</u>	<u>27,050</u>	<u>278,917</u>	<u>2,331,726</u>	<u>1,771,469</u>
<u>\$ 481,444</u>	<u>\$ 27,724</u>	<u>\$ 283,572</u>	<u>\$ 2,368,350</u>	<u>\$ 1,906,106</u>

ROCKFORD PUBLIC SCHOOLS
Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2008

	1990	1997	2002 (A)	2002 (B)
Revenues				
Local sources:				
Property taxes:				
Current property taxes	\$ 1,564,555	\$ 2,274,348	\$ 2,633,032	\$ 671,615
Industrial facilities taxes	18,031	26,212	30,345	7,740
Delinquent property taxes	810	2,217	2,421	659
Other taxes	1,396	1,708	1,998	509
Interest on delinquent taxes	2,383	3,586	4,063	1,042
	1,587,175	2,308,071	2,671,859	681,565
Interest earnings:				
Interest on investments	30,354	40,253	34,520	36,725
Total Revenues	1,617,529	2,348,324	2,706,379	718,290
Expenditures				
Debt service:				
Principal repayment	283,044	2,050,000	1,325,000	10,000
Interest and fiscal charges:				
Interest expense	916,956	273,000	1,375,968	587,325
Paying agent fees	1,375	300	250	250
Tax refunds	3,046	9,308	5,747	1,701
Total Expenditures	1,204,421	2,332,608	2,706,965	599,276
Excess (Deficiency) of Revenues Over Expenditures	413,108	15,716	(586)	119,014
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	413,108	15,716	(586)	119,014
Fund Balances, July 1	51,629	110,375	134,615	713,959
Fund Balances, June 30	\$ 464,737	\$ 126,091	\$ 134,029	\$ 832,973

2005	2006 (A)	2006 (B)	Totals	
			2008	2007
\$ 1,907,995	\$ 290,015	\$ 3,632,824	\$ 12,974,384	\$ 12,290,851
21,989	3,342	41,868	149,527	157,992
1,921	222	3,199	11,449	7,232
1,482	212	2,782	10,087	17,129
2,935	445	5,415	19,869	227
1,936,322	294,236	3,686,088	13,165,316	12,473,431
27,250	4,072	79,619	252,793	239,313
1,963,572	298,308	3,765,707	13,418,109	12,712,744
25,000	195,000	3,570,000	7,458,044	8,308,997
1,674,879	84,975	460,800	5,373,903	5,687,535
225	-	225	2,625	2,627
1,292	941	1,245	23,280	1,236
1,701,396	280,916	4,032,270	12,857,852	14,000,395
262,176	17,392	(266,563)	560,257	(1,287,651)
-	-	-	-	213,524
-	-	-	-	(213,524)
-	-	-	-	-
262,176	17,392	(266,563)	560,257	(1,287,651)
205,753	9,658	545,480	1,771,469	3,059,120
\$ 467,929	\$ 27,050	\$ 278,917	\$ 2,331,726	\$ 1,771,469

CAPITAL PROJECTS FUNDS

2008 Construction—to account for bond proceeds used to finance land improvements, building construction and renovation projects and furniture and equipment purchases.

ROCKFORD PUBLIC SCHOOLS
2008 Construction Capital Projects Fund
Comparative Balance Sheet
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents, deposits and investments	<u>\$ 45,750,026</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 182,788	\$ -
Due to other funds	<u>150,000</u>	<u>-</u>
Total Liabilities	<u>332,788</u>	<u>-</u>
Fund Balances		
Reserved for capital outlay	<u>45,417,238</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 45,750,026</u>	<u>\$ -</u>

ROCKFORD PUBLIC SCHOOLS
2008 Construction Capital Projects Fund
Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances
For the years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local sources:		
Interest on deposits and investments	\$ 15,480	\$ -
Expenditures		
Capital outlay:		
Purchased services	150,000	-
Architect fees	87,359	-
Buildings and additions	5,790	-
Paying agent fee	4,312	-
Bond issuance costs	411,292	-
Underwriter's discount	170,140	-
Total Expenditures	<u>828,893</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(813,413)</u>	<u>-</u>
Other Financing Sources		
Bonds issued	45,250,000	-
Bond premium	980,651	-
Total Other Financing Sources	<u>46,230,651</u>	<u>-</u>
Net Change in Fund Balances	45,417,238	-
Fund Balances, July 1	<u>-</u>	<u>-</u>
Fund Balances, June 30	<u><u>\$ 45,417,238</u></u>	<u><u>\$ -</u></u>

AGENCY FUND

Student Activities—to account for the collection and disbursements of monies used by the school activity clubs and groups.

ROCKFORD PUBLIC SCHOOLS
Student Activities Agency Fund
Statement of Changes in Assets and Liabilities
For the year ended June 30, 2008

	<u>Balances</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2008</u>
Assets				
Cash equivalents, deposits and investments	<u>\$ 572,886</u>	<u>\$ 1,286,948</u>	<u>\$ 1,214,844</u>	<u>\$ 644,990</u>
Liabilities				
Accounts payable	\$ -	\$ 1,135,792	\$ 1,135,792	\$ -
Due to other funds	-	100,000	-	100,000
Due to student groups	<u>572,886</u>	<u>1,371,434</u>	<u>1,399,330</u>	<u>544,990</u>
	<u>\$ 572,886</u>	<u>\$ 2,607,226</u>	<u>\$ 2,535,122</u>	<u>\$ 644,990</u>

OTHER INFORMATION

ROCKFORD PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	County of Kent				
	City of Rockford	Algoma	Cannon	Townships Courtland	Grattan
Taxable Valuations					
Operating	\$ 97,842,495	\$ 50,915,568	\$ 60,563,759	\$ 20,825,374	\$ 1,558,643
Recreation/Debt Service	213,807,090	173,218,901	534,000,997	182,113,521	20,506,085
Rates (Mills)					
General Fund - Operating					
General Fund - Recreation					
1990 Debt Service Fund					
1997 Debt Service Fund					
2002(A) Debt Service Fund					
2002(B) Debt Service Fund					
2005 Debt Service Fund					
2006(A) Debt Service Fund					
2006(B) Debt Service Fund					
Taxes Levied 2007 Rolls					
General Fund - Operating	\$ 1,731,354	\$ 917,280	\$ 1,090,141	\$ 374,854	\$ 28,055
General Fund - Recreation	208,245	170,031	524,271	178,760	20,128
1990 Debt Service Fund	146,312	116,714	362,081	121,550	14,040
1997 Debt Service Fund	242,488	193,434	600,093	201,450	23,239
2002(A) Debt Service Fund	337,641	269,338	835,572	280,500	32,399
2002(B) Debt Service Fund	91,265	72,803	225,857	75,820	8,758
2005 Debt Service Fund	259,882	207,309	643,138	215,900	24,938
2006(A) Debt Service Fund	29,263	23,343	72,418	24,310	2,808
2006(B) Debt Service Fund	632,514	504,560	1,565,304	525,469	60,695
	3,678,964	2,474,812	5,918,875	1,998,613	215,060
Taxes Uncollected 2007 Rolls					
General Fund - Operating	4,662	204	3,981	885	-
General Fund - Recreation	254	12	217	48	-
1990 Debt Service Fund	267	12	227	50	-
1997 Debt Service Fund	386	17	330	73	-
2002(A) Debt Service Fund	107	20	381	84	-
2002(B) Debt Service Fund	114	5	97	9	-
2005 Debt Service Fund	323	14	276	61	-
2006(A) Debt Service Fund	49	2	42	9	-
2006(B) Debt Service Fund	616	27	526	117	-
	6,778	313	6,077	1,336	-
Taxes Collected 2007 Rolls					
General Fund - Operating	1,726,692	917,076	1,086,160	373,969	28,055
General Fund - Recreation	207,991	170,019	524,054	178,712	20,128
1990 Debt Service Fund	146,045	116,702	361,854	121,500	14,040
1997 Debt Service Fund	242,102	193,417	599,763	201,377	23,239
2002(A) Debt Service Fund	337,534	269,318	835,191	280,416	32,399
2002(B) Debt Service Fund	91,151	72,798	225,760	75,811	8,758
2005 Debt Service Fund	259,559	207,295	642,862	215,839	24,938
2006(A) Debt Service Fund	29,214	23,341	72,376	24,301	2,808
2006(B) Debt Service Fund	631,898	504,533	1,564,778	525,352	60,695
	3,672,186	2,474,499	5,912,798	1,997,277	215,060
Delinquent Taxes Collected					
General Fund	11,407	4	608	14	-
1990 Debt Service Fund	512	3	23	1	-
1997 Debt Service Fund	1,160	5	62	1	-
2002(A) Debt Service Fund	1,106	7	87	1	-
2002(B) Debt Service Fund	286	2	41	-	-
2005 Debt Service Fund	1,076	5	52	1	-
2006(A) Debt Service Fund	106	1	9	-	-
2006(B) Debt Service Fund	1,258	12	12	2	-
	\$ 16,911	\$ 39	\$ 894	\$ 20	\$ -

(Continued)

Oakfield	Plainfield	Total
\$ 599,021	\$ 87,274,297	\$ 319,579,157
5,442,979	398,983,524	1,528,073,097
		18.0000
		0.9817
		1.0250
		1.4900
		1.7250
		0.4400
		1.2500
		0.1900
		2.3800
		27.4817
\$ 10,782	\$ 1,475,514	\$ 5,627,980
5,378	391,175	1,497,988
3,777	269,423	1,033,897
6,260	446,526	1,713,490
8,717	621,746	2,385,913
2,356	168,060	644,919
6,709	478,556	1,836,432
755	53,885	206,782
16,329	1,164,737	4,469,608
61,063	5,069,622	19,417,009
-	6,766	16,498
-	384	915
-	401	957
-	583	1,389
-	300	892
-	172	397
-	488	1,162
-	75	177
-	931	2,217
-	10,100	24,604
10,782	1,468,748	5,611,482
5,378	390,791	1,497,073
3,777	269,022	1,032,940
6,260	445,943	1,712,101
8,717	621,446	2,385,021
2,356	167,888	644,522
6,709	478,068	1,835,270
755	53,810	206,605
16,329	1,163,806	4,467,391
61,063	5,059,522	19,392,405
-	998	13,031
-	271	810
-	493	1,721
-	622	1,823
-	168	497
-	448	1,582
-	54	170
-	1,090	2,374
\$ -	\$ 4,144	\$ 22,008

ROCKFORD PUBLIC SCHOOLS
Summary of 2007 Taxes Levied and Collected
For the year ended June 30, 2008

	County of Kent				
	City of Rockford	Algoma	Cannon	Townships Courtland	Grattan
Total Taxes Collected					
General Fund - Operating	\$ 1,738,099	\$ 917,080	\$ 1,086,768	\$ 373,983	\$ 28,055
General Fund - Recreation	207,991	170,019	524,054	178,712	20,128
1990 Debt Service Fund	146,557	116,705	361,877	121,501	14,040
1997 Debt Service Fund	243,262	193,422	599,825	201,378	23,239
2002(A) Debt Service Fund	338,640	269,325	835,278	280,417	32,399
2002(B) Debt Service Fund	91,437	72,800	225,801	75,811	8,758
2005 Debt Service Fund	260,635	207,300	642,914	215,840	24,938
2006(A) Debt Service Fund	29,320	23,342	72,385	24,301	2,808
2006(B) Debt Service Fund	633,156	504,545	1,564,790	525,354	60,695
	<u>\$ 3,689,097</u>	<u>\$ 2,474,538</u>	<u>\$ 5,913,692</u>	<u>\$ 1,997,297</u>	<u>\$ 215,060</u>
Taxes Uncollected – June 30, 2008					
General Fund:					
2007	\$ 4,916	\$ 216	\$ 4,198	\$ 933	\$ -
2006	8,517	146	1,106	600	-
2005	11,005	-	-	394	-
	<u>24,438</u>	<u>362</u>	<u>5,304</u>	<u>1,927</u>	<u>-</u>
1990 Debt Service Fund:					
2007	267	12	227	50	-
2006	262	6	40	22	-
2005	729	-	-	24	-
	<u>1,258</u>	<u>18</u>	<u>267</u>	<u>96</u>	<u>-</u>
1997 Debt Service Fund:					
2007	386	17	330	73	-
2006	420	9	67	37	-
2005	1,417	-	-	40	-
	<u>2,223</u>	<u>26</u>	<u>397</u>	<u>150</u>	<u>-</u>
2002(A) Debt Service Fund:					
2007	107	20	381	84	-
2006	585	12	140	53	-
2005	1,451	-	-	41	-
	<u>2,143</u>	<u>32</u>	<u>521</u>	<u>178</u>	<u>-</u>
2002(B) Debt Service Fund:					
2007	114	5	97	9	-
2006	173	4	17	14	-
2005	320	-	-	8	-
	<u>607</u>	<u>9</u>	<u>114</u>	<u>31</u>	<u>-</u>
2005 Debt Service Fund:					
2007	323	14	276	61	-
2006	328	28	71	41	-
2005	1,989	-	-	64	-
	<u>2,640</u>	<u>42</u>	<u>347</u>	<u>166</u>	<u>-</u>
2006A Debt Service Fund:					
2007	49	2	42	9	-
2006	51	1	6	5	-
2005	126	-	-	4	-
	<u>226</u>	<u>3</u>	<u>48</u>	<u>18</u>	<u>-</u>
2006B Debt Service Fund:					
2007	616	27	526	117	-
2006	798	25	175	98	-
	<u>1,414</u>	<u>52</u>	<u>701</u>	<u>215</u>	<u>-</u>
	<u>\$ 34,949</u>	<u>\$ 544</u>	<u>\$ 7,699</u>	<u>\$ 2,781</u>	<u>\$ -</u>

Oakfield	Plainfield	Total
\$ 10,782	\$ 1,469,746	\$ 5,624,513
5,378	390,791	1,497,073
3,777	269,293	1,033,750
6,260	446,436	1,713,822
8,717	622,068	2,386,844
2,356	168,056	645,019
6,709	478,516	1,836,852
755	53,864	206,775
16,329	1,164,896	4,469,765
<u>\$ 61,063</u>	<u>\$ 5,063,666</u>	<u>\$ 19,414,413</u>
\$ -	\$ 7,150	\$ 17,413
-	2,842	13,211
-	44,214	55,613
-	54,206	86,237
-	401	957
-	19	349
-	1,757	2,510
-	2,177	3,816
-	583	1,389
-	32	565
-	2,942	4,399
-	3,557	6,353
-	300	892
-	44	834
-	2,763	4,255
-	3,107	5,981
-	172	397
-	2	210
-	695	1,023
-	869	1,630
-	488	1,162
-	34	502
-	9,798	11,851
-	10,320	13,515
-	75	177
-	4	67
-	300	430
-	379	674
-	931	2,217
-	1,342	2,438
-	2,273	4,655
<u>\$ -</u>	<u>\$ 76,888</u>	<u>\$ 122,861</u>

Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

November 11, 2008

The Board of Education
Rockford Public Schools
Kent County, Michigan

The following comments pertain to our audit of the financial records of Rockford Public Schools as of and for the year ended June 30, 2008. The comments are made in accordance with Statement on Auditing Standards (SAS) No. 114 "The Auditor's Communication with Those Charged with Governance" which requires that in all audits, certain matters are to be communicated with those charged with governance in relation to an audit of financial statements. The communications required by SAS No. 114, if pertinent to the examination, are as follows:

The Auditor's Responsibility Under U.S. Generally Accepted Accounting Principles

As stated in our Engagement Letter dated June 1, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you, or management, of your responsibilities.

Auditor's Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable, independence standards. Our policies address financial interest, business and family relationships, and non-audit services that may be thought to bear on independence. In addition, our policies restrict certain non-audit services that may be provided by our firm staff and require our audit clients to accept certain responsibilities in connection with the provision of permitted non-audit services.

An Overview of the Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the Engagement Letter dated June 1, 2008.

Significant Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our Engagement Letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Rockford Public Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in performing and completing our audit for the year ended June 30, 2008.

Disagreements with Management

We encountered no significant disagreements in dealing with management in performing and completing our audit for the year ended June 30, 2008.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Management Representations

We have requested certain representations from management that are included in the Management's Representation Letter dated November 3, 2008.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements. There were no adjustments proposed during the audit not accepted and recorded by District management.

District-wide Financial Statements

1. \$1,135,840 to record accrued interest payable at June 30, 2008.
2. \$735,944 to record 2007-08 amortizable bond issuance costs.
3. \$213,506 to record 2007-08 net expenses recognized for early retirement incentive and accumulated employee sick and vacation leave.
4. \$559,255 to record capitalization of capital assets purchased in 2007-08.
5. \$3,059,967 to record 2007-08 depreciation expense on capital assets.

General Fund

1. \$87,723 to write off 2004 delinquent personal property taxes uncollected at June 30, 2008.

Debt Service Funds

1. \$38,755 to write off 2004 delinquent personal property taxes uncollected at June 30, 2008.

Other Significant, Relevant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to, and during the process of, the District's audit. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Current auditing standards (SAS No. 112 "Communicating Internal Control Related Matters Identified in an Audit") also require that auditors communicate, in writing, any significant deficiencies and/or material weaknesses in the design or operation of an entity's internal controls discovered during the audit, we found no significant deficiencies or material weaknesses during the audit so no SAS 112 letter is required.

Significant new auditing standards from the American Institute of Certified Public Accountants were required to be implemented during the 2007-08 audit process involving the auditor's review, observation, evaluation and documentation of the District's significant areas of internal controls. Our findings and comments regarding the District's internal control processes and procedures based on these new auditing standards are detailed in Appendix A, attached to this letter.

Other Comments

The District General Fund balance decreased by \$1,159,571 to \$2,784,531 at June 30, 2008. This balance represents approximately 3.87% of the District's 2008-09 expenditure budget (down from 5.64% at June 30, 2007). Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Rockford Public Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Closing

This communication is intended solely for the information and use of the Rockford Public Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

Hungerford, Alden, Nichols & Horton, P.C.

Certified Public Accountants

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
ROCKFORD PUBLIC SCHOOLS
For the Year Ended June 30, 2008

Listed below are the internal control areas that auditors are now required to review, evaluate and document during the audit process, if those areas are significant to an entity's operations. For each of the areas considered to be "significant" the auditor must answer all of the following questions, inspect supporting documentation and observe client compliance with its prescribed procedures, i.e. "walkthrough" the process as it is being performed.

1. Is the control placed in operation?
2. What audit assertions apply to this control?
3. Is the control a key control?
4. Is the control dependent on IT?
5. Is the control manual or automated?
6. Is the control properly designed?
7. Is the control implemented?
8. Comments/transactions or documentation examined for walkthrough
9. Is a control deficiency possible?

The significant internal control areas of Rockford Public Schools are listed below. Each bullet point describes the "significant" internal controls that apply in each internal control area. The bolded comments represent suggestions for improvements in the District's internal controls, based on our observations during the 2007-08 audit process.

GENERAL CONTROLS

- Documentation of the internal control system
- Segregation of duties
- Independent monitoring of accounting functions

BUDGETS

- Budget adoptions, amendments for all required funds
 - **The General Fund budget (for both revenues and expenditures) must be closely monitored near year-end to anticipate changes from original expectations and amend function level balances to avoid significant variances between final actual and budgeted results.**
- Budget accounting principles consistent with actual transactions
 - **The Food Service Fund budget should reflect USDA entitlement and bonus commodities used as federal revenues and food expenditures to match actual transactions recorded in the financial statements. The Athletic Fund budget should be reviewed at year-end and amended, if needed, to avoid an excess of expenditures over final budgeted amounts.**
- Documented authorization for all budget amendments

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
ROCKFORD PUBLIC SCHOOLS
For the Year Ended June 30, 2008

CASH

- Cash collection/receipting procedures
 - **Periodic monitoring of the cash collection/deposit process should be completed by business office personnel in the areas outside of the central office where cash is commonly collected (food service, athletics, student activities, community enrichment, driver education, preschool/childcare, community pool). Uniform documented procedures should be established to insure the safety of District funds in each of these areas.**
- Cash storage/deposit procedures
- Bank account security/authorization policies
- Check preparation/signing/security procedures
- Non-check disbursement authorization/control policies and procedures
- Bank reconciliation preparation/monitoring procedures

INVESTMENTS

- Investment policy adoption/implementation/monitoring procedures
 - **The District Investment Policy should be reviewed annually by the Assistant Superintendent of Finance and the Board of Education (and/or Finance Committee) to respond to the rapid changes occurring in the investment environment, and to insure compliance with current accounting disclosure requirements. Someone in District governance (a Board of Education or Finance Committee member) should be responsible for reviewing District investments on a regular basis to insure that the requirements of the Investment Policy are being followed. This process should include a review of FDIC insurance coverage with each financial institution utilized by the District.**
- Investment purchase approval procedures
- Investment custodial /security policies/procedures
- Investment record keeping/reconciliation procedures
- Investment return policies/procedures/monitoring

REVENUES AND RECEIVABLES

- Budgeting and actual-to-budget monitoring procedures
- Property tax collection/monitoring procedures
- State revenue sharing verification/reconciliation procedures
- Billing/collection procedures for fees/charges for services

EXPENDITURES AND PAYABLES

- Purchase order initiation/approval/processing procedures
- Invoice processing/approval/payment procedures
- Purchase pricing/cut-off/compliance review procedures
- Budget-to-actual comparison/review procedures

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
ROCKFORD PUBLIC SCHOOLS
For the Year Ended June 30, 2008

PAYROLL

- Hiring/personnel input procedures
- Timekeeping/approval procedures
- Payroll preparation/distribution/general ledger procedures
- Cost allocation procedures/monitoring
- Budget-to-actual comparison/review procedures
- Payroll bank account transaction monitoring/reconciliation

CAPITAL ASSETS

- Acquisition/disposal/capitalization approval/documentation
- Asset custody/security/recordkeeping procedures
- Construction project record keeping/monitoring procedures
- Lapse schedule/depreciation record keeping/monitoring procedures

DEBT AND DEBT SERVICE

- Debt issuance and liability transaction approval
- Debt proceeds expenditure/monitoring procedures
- Debt agreement compliance monitoring procedures
- Principal and interest payment/monitoring procedures
- Debt refunding approval/documentation/monitoring

GRANTS AND SIMILAR PROGRAMS

- The District has procedures for identifying federal, state and other awards
- The District has accounting procedures for identifying and recording receipts and expenditures of program funds separately and in the appropriate cost category for each award or grant
- The District has a documented time schedule for filing financial reports with Grantors and policies for identifying special requirements of grants
- District funds are accounted for in separate grant control accounts
- The District has established controls to preclude charging federal award Programs with unallowable costs and expenditures
- The District has responsible individuals who monitor matching requirements, levels of effort, and earmarking limitations to insure District compliance with applicable laws and regulations
- Reconciliations of grant financial reports with supporting accounting records Are prepared, reviewed, and approved by a responsible official before filing
- Financial reports and claims for advances and reimbursements agree with the supporting financial records and general ledger
- A responsible official approves requests for advances or reimbursements.
- The District's calculation of required District funds considers updated estimates of allowable program costs

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
ROCKFORD PUBLIC SCHOOLS
For the Year Ended June 30, 2008

- A responsible member of management reviews costs charged to direct and indirect cost centers in accordance with applicable grant requirements and governmental management circulars pertaining to cost principles
- A responsible member of management uses a set checklist to review and approve the provision of services to ensure that recipients are eligible under specific program requirements
- The District's employee time allocation method is in accordance with the Standards outlined in federal circulars or agency regulations

INFORMATIONAL TECHNOLOGY

- Computer access is limited to specific persons and individuals have access only
 - **The District should consider further strengthening the process of assigning user access rights to ensure that access is being granted based on an employee's job responsibilities. Access should be limited to applications and files that are necessary to perform each individual's daily job duties.**
- Passwords are required to be complex and to be changed at regular intervals
 - **Password security should be reviewed and improved to insure future data security.**
- There are appropriate documented procedures for back-up and storage of Applications and data files
 - **The District should develop a comprehensive back-up and recovery and data retention plan as part of a documented disaster recovery plan.**
- There is a documented disaster recovery plan and it has been tested
 - **A formal disaster recovery plan should be created and updated on an annual basis to ensure the timely recovery of data and the functionality of the District's information technology assets.**
- The district has well defined policies and procedures in place for which address performing patches and upgrades, user access administration, general backup and recovery operations and timelines for performing regular security and configuration settings reviews.
 - **The district should consider taking additional steps to establish a defined set of standard operating procedures and policies and evaluate their effectiveness throughout the year. Doing so will help to establish a stable and secure IT operating environment that consistently produces reliable data and reduces the risk of fraud or the loss of sensitive data.**

HUNGERFORD, ALDRIN, NICHOLS & CARTER, PC
Statement on Auditing Standards No. 114 Letter
Appendix A - Comments On Significant Internal Control Areas for
ROCKFORD PUBLIC SCHOOLS
For the Year Ended June 30, 2008

STUDENT ACTIVITY ACCOUNTS

- The Student Activity Fund should be used only for “student activities”: those funds which are raised by students, and administered by students and their advisors, to be used for the specific benefit for which the funds are raised. Purchases such as athletic supplies and/or equipment and instructional supplies and/or equipment should be purchased from budgeted Athletic or General Fund expenditure accounts. If specific funds are raised or earmarked for these purchases, those funds should be deposited in the Athletics of General Fund as donations from the funding source. All purchases made from Student Activity accounts should be in accordance with District purchase order and expenditure approval policies, and the payment of payroll/employee benefits through the Student Activity Fund should be discouraged. Activities that do not directly involve students should not exist in the Student Activity Fund, but should be recorded in the District fund that the activity benefits. Each Student Activity account should have a documented use for its receipts and remaining balances, to insure the proper custody and disbursement of the funds on an ongoing basis.

ROCKFORD PUBLIC SCHOOLS
Kent County, Michigan

Auditor's Report On Compliance
For Federal Grant Programs

For the year ended June 30, 2008

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ROCKFORD PUBLIC SCHOOLS

For the year ended June 30, 2008

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Hungerford, Aldrin,
Nichols & Carter, P.C.

CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

November 11, 2008

The Board of Education
Rockford Public Schools
Kent County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rockford Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Rockford Public School's basic financial statements and have issued our report thereon dated November 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rockford Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rockford Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rockford Public School's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects an entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of an entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

The Board of Education
Rockford Public Schools
November 11, 2008

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rockford Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that were reported to management of Rockford Public Schools on a separate letter dated November 11, 2008.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldino, Nichols & Austin, P.C.

Certified Public Accountants

Hungerford, Aldrin,
Nichols & Carter, P.C.
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

November 11, 2008

The Board of Education
Rockford Public Schools
Kent County, Michigan

Compliance

We have audited the compliance of Rockford Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Rockford Public School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Rockford Public School's management. Our responsibility is to express an opinion on Rockford Public School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rockford Public School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rockford Public School's compliance with those requirements.

In our opinion, Rockford Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Rockford Public Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Rockford Public School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rockford Public School's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rockford Public Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 11, 2008. Our audit was performed for the purpose of forming our opinion on the financial statements that collectively comprise Rockford Public School's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford, Aldine, Nichols & Carter, P.C.

Certified Public Accountants

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROCKFORD PUBLIC SCHOOLS

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Education		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
071530 0607		\$ 261,113
081530 0708		437,479
Total Title I		698,592
Title IIA:	84.367	
070520 0607		161,444
080520 0708		166,155
Total Title IIA		327,599
Title IID:	84.318	
074290 0607		2,680
084290 0708		4,150
Total Title IID		6,830
Title V:	84.298	
070250 0607		1,667
080250 0708		1,736
Total Title V		3,403
Service Provider Self Review:		
070440 0607	84.027A	5,490
Total Passed Through MDE		1,041,914
Direct Payment from Department of Education:		
Foreign Language Assistance Program:		
T293B070011	84.293B	100,658
Passed through Cedar Springs Public Schools:		
Title III:		
070580 0607	84.365A	2,537

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ 128,187 —	\$ 261,113 —	\$ — 437,479	\$ 128,187 218,739	\$ — 218,740
128,187	261,113	437,479	346,926	218,740
73,471 —	161,444 —	(598) 166,155	72,873 98,038	— 68,117
73,471	161,444	165,557	170,911	68,117
2,563 —	2,680 —	(59) 4,150	2,504 —	— 4,150
2,563	2,680	4,091	2,504	4,150
476 —	1,667 —	(37) 1,736	439 —	— 1,736
476	1,667	1,699	439	1,736
5,490	5,490	—	5,490	—
210,187	432,394	608,826	526,270	292,743
—	—	100,658	100,658	—
2,537	2,537	—	2,537	—

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**ROCKFORD PUBLIC SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
Passed through Kenowa Hills Public Schools: Title III: 080580 0708	84.365	\$ 3,931
Passed through Kent Intermediate School District (KISD): Safe and Drug Free Schools and Communities Act: 082860 0708	84.186A	15,103
Special Education Cluster: I.D.E.A. – Flow Through: Flow Through – 070450 0607 Flow Through – 080450 0708	84.027	1,050,175 1,056,559
Total I.D.E.A. – Flow Through		2,106,734
I.D.E.A. – Preschool: Preschool – 070460 0607 Preschool – 080460 0708	84.173	62,273 59,220
Total I.D.E.A. – Preschool		121,493
Total Special Education Cluster		2,228,227
Total Passed Through Intermediate School District		2,243,330
Total U.S. Department of Education		3,392,370
U.S. Department of Health and Human Services Passed through Kent Intermediate School District (KISD): School Based Medicaid: 0607 Program 0708 Program	93.778	4,005 7,797
Total U.S. Department of Health and Human Services		11,802

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008
\$ —	\$ —	\$ 3,931	\$ —	\$ 3,931
—	—	15,103	15,103	—
337,095	1,049,605	—	337,095	—
—	—	1,056,559	606,188	450,371
337,095	1,049,605	1,056,559	943,283	450,371
24,571	62,273	—	24,571	—
—	—	59,220	26,673	32,547
24,571	62,273	59,220	51,244	32,547
361,666	1,111,878	1,115,779	994,527	482,918
361,666	1,111,878	1,130,882	1,009,630	482,918
574,390	1,546,809	1,844,297	1,639,095	779,592
4,005	4,005	—	4,005	—
—	—	7,797	—	7,797
4,005	4,005	7,797	4,005	7,797

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**ROCKFORD PUBLIC SCHOOLS**

For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount
U.S. Department of Agriculture		
Passed through Michigan Department of Education (MDE):		
Nutrition Cluster Program:		
Breakfast:	10.553	
Total Servings – 1970		\$ 1,806
Free and Reduced – 1970		10,653
		<hr/>
Total Breakfast		12,459
		<hr/>
Lunches:	10.555	
Section 4 – Total Servings – 1950		92,686
Section 11 – Free and Reduced – 1960		214,370
		<hr/>
Total Lunches		307,056
		<hr/>
Total Nutrition Cluster Program		319,515
		<hr/>
Child Care Food Program:	10.558	
07120/07190		6,564
08210/08190		5,899
		<hr/>
Total Child Care Food Program		12,463
		<hr/>
U.S.D.A. Commodities:	10.550	
Bonus Commodities		675
Entitlement Commodities		113,455
		<hr/>
Total U.S.D.A. Commodities		114,130
		<hr/>
Total U.S. Department of Agriculture (Passed through MDE)		446,108
		<hr/>
Total Federal Financial Assistance		<u><u>\$ 3,850,280</u></u>

See Notes to Schedule of Expenditures of Federal Awards

Accrued (Deferred) Revenue At July 1, 2007		(Memo Only) Prior Year Expenditures		Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2008	
\$	—	\$	—	\$ 1,806	\$ 1,806	\$	—
	—		—	10,653	10,653		—
	—		—	12,459	12,459		—
	—		—	92,686	92,686		—
	—		—	214,370	214,370		—
	—		—	307,056	307,056		—
	—		—	319,515	319,515		—
	495		—	—	495		—
	—		—	5,899	4,898		1,001
	495		—	5,899	5,393		1,001
	—		—	675	675		—
	—		—	113,455	113,455		—
	—		—	114,130	114,130		—
	495		—	439,544	439,038		1,001
\$	578,890	\$	1,550,814	\$ 2,291,638	\$ 2,082,138	\$	788,390

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ROCKFORD PUBLIC SCHOOLS

For the year ended June 30, 2008

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not
considered to be material weakness(es)? _____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Significant deficiencies identified that are not
considered to be material weakness(es)? _____ Yes X None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

_____ Yes X No

Identification of programs audited:

Special Education Cluster:

84.027 I.D.E.A. Flow Through

84.173 I.D.E.A. Preschool

84.293B Foreign Language Assistance
Program

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

ROCKFORD PUBLIC SCHOOLS

For the year ended June 30, 2008

Section I – Summary of Auditor's Results (Continued)

Dollar threshold used to distinguish between Type A and
Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

 X Yes No

Section II – Financial Statement Findings

There were no findings which are required to be reported under *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ROCKFORD PUBLIC SCHOOLS

For the year ended June 30, 2008

Note A – The Schedule of Expenditures of Federal Awards (SEFA) was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.

Note B – The amounts reported on the R7120 and CMS, Grant Section Auditors Report, reconcile with the SEFA.

Note C – The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with the SEFA for USDA donated food commodities.

Note D – Federal Income Reconciliation

	Grant Expenditures Per Schedule of Federal Financial Assistance	Federal Revenue Per Financial Statements	Difference
Title I	\$ 437,479	\$ 437,479	\$ —
Title IIA	165,557	165,557	—
Title IID	4,091	4,091	—
Title III	3,931	3,931	—
Title V	1,699	1,699	—
Child Care Food Program	5,899	5,899	—
Foreign Language Assistance Program	100,658	100,658	—
Safe and Drug Free Schools and Communities Act	15,103	15,103	—
I.D.E.A.	1,115,779	1,115,779	—
School Based Medicaid	7,797	7,797	—
Nutrition Cluster	319,515	319,515	—
U.S.D.A. Commodities	114,130	114,130	—
	<u>\$ 2,291,638</u>	<u>\$ 2,291,638</u>	<u>\$ —</u>